

INITIAL STATEMENT OF REASONS

Adoption of revised California Code of Regulations sections 565.1, 565.2, 565.3 and new section 565.5 - Clarification of the requirements for submission of payroll and contribution information through the new my|CalPERS platform and method of collecting interest and administrative costs.

Description of Public Problem, Administrative Requirement, or Other condition or Circumstance that the Regulation is Intended to Address:

Currently, employers submit payroll and contribution information to CalPERS via Automated Communication Exchange System (ACES), diskette, tape or reports. Upon implementation of my|CalPERS, employers will use the web-based reporting system to submit payroll and contribution information.

Section 565.1 currently provides employers with an obsolete method of filing payroll reports via tape or punched cards. After reporting payroll, CalPERS staff would work with employers to correct payroll record errors. This section is being amended to require employers to submit payroll and contribution information using the my|CalPERS reporting system and requires errors in reported payroll and contribution information be corrected within 60 calendar days of notice from CalPERS. When an employer submits payroll and contribution information via my|CalPERS, the system will notify the employer of errors.

Section 565.2 currently authorizes CalPERS to assess interest on late contribution payments but does not provide a method for assessing and collecting interest. The system was unable to accurately determine the date of receipt of payroll contributions and assess the interest for the late payments. The new my|CalPERS system can determine the date payroll contributions are received and can assess interest upon failure to submit payroll contributions on due date. This section is being amended to authorize CalPERS to bill an employer for insufficient contributions and to clarify that interest will be charged on amounts due that are not paid within 30 calendar days of the billing notification.

Section 565.3 currently imposes an assessment of \$200 for late payroll reports. If an employer fails to submit complete and accurate payroll and contribution information within the time period set forth, the information is considered late and is subject to the assessment. This section is being amended to replace the reference to "late reporting" with "incomplete or erroneous payroll and contribution information." The amendment further clarifies the cost assessment will be billed each month until the posted payroll and contribution information is complete and correct.

Section 565.5 is being added to clarify the method of collecting administrative costs and to provide that if an employer fails to pay or dispute an amount due within 30 calendar days of notice, the employer shall be deemed to have agreed

with the amount due, and to have consented to collection by CalPERS through deduction from the employer reserve account or by demand for payment.

Specific Purpose: The adoption of the above clarifying regulations will encourage employers' compliance with the requirement to submit complete and correct payroll and contribution information in a timely manner as set forth in section 565.

Necessity: These regulations will help CalPERS enforce compliance with the statutes and maintain a consistent practice in submitting payroll and contribution information, and the method for collecting interest and administrative costs.

Technical, Theoretical and/or Empirical Studies, Reports or Documents:
Not applicable.

Alternatives to the Regulatory Action and CalPERS' Reasons for Rejecting Those Alternatives: CalPERS has considered alternatives to this proposal, and has determined that there is not a more effective way to carry out its purpose that would be less burdensome. The alternative of adopting no regulation would be less effective and would not lead to the anticipated benefits expected from the proposed action.

Alternatives to the Regulatory Action that Would Lessen any Adverse Impact on Small Businesses: The proposed action has no cost impact on small businesses because it applies only to school employer and public agency employee retirement benefits.